



13 May 2014

TUI TRAVEL (TT.): 441.6p H1 Numbers to 31 Mar 2014

Group reports a 'strong H1 performance' with 'continued momentum in unique holidays...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	473.0	30.8	14.3	13.5	3.1
2014 (E)	475.0	32.3	13.7	14.4	3.3
2015 (E)	542.0	35.7	12.4	15.5	3.5

Source: Company & Broker Estimates

H1 Numbers; H1 to end-March 2014:

TUI Travel has this morning reported H1 numbers to end-March and our comments are set out below:

The Numbers:

- TUI Travel has reported revenues down by 4% at £5.19bn and an operating loss some 3% higher at £298m against a loss of £289m for the same period last year
- The loss is impacted by the movement of Easter into H2 and, ex-Easter, the loss would have been £277m – some £12m lower than last year
- Including interest charges, the declared loss before tax is some £369m against £352m last year
- The company says it remains 'confident of delivering full year underlying operating profit growth of 7% to 10%'
- Current year (FY14) numbers therefore look to be intact and the group will meet with analysts at 9.30am

Features:

- TUI says 'we have delivered a strong performance in the first half, driven by our flexible and resilient business model'
- CEO Peter Long goes on to say 'demand continues to grow for our unique holidays and we have seen strong growth in online bookings, a key element of our digital transformation'
- Re the group's regions, 'the UK is delivering excellent performance due to market leadership and uniqueness of offering'

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Market Cap: £4.9bn
12m range 335p 450p

- In Germany, the group is 'particularly pleased with the result' and is 'making significant headway in improving operating margin and are on a similar journey to that of the UK'
- In France, 'the turnaround plan to break even is making good progress'
- Overall, TT. is 'pleased with Summer 2014 trading, against strong comparatives, and we remain confident of delivering 7% to 10% growth in underlying operating profit during the year on a constant currency basis' – this suggests that Sterling transfer costs will impact reported profits (as expected)

Current Trading:

- Group says 'winter 2013/14 'has closed out as expected'; it was challenging in the Nordics
- TT. adds 'overall, we are pleased with summer 2014 trading, with 60% of the programme sold' and the group's aspirations (7% to 10% growth in underlying operating profits) remain unchanged

Langton Comment: Whilst H1 will always be loss-making and therefore give a limited view as to the outcome for the year as a whole, TUI Travel remains confident that it will deliver operating profit growth in line with earlier guidance.

Takeover talk (TUI AG) is at present muted but the group's shares have been strong and, arguably, they are no longer cheap.

But selling good companies that are trading strongly has not been rewarding recently and TT. will retain its loyal shareholder base. The current year, whilst not in the bag, should come in as planned and, with its leadership in unique products, TT. remains well-positioned for the future.

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